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R. J. Reynolds Tobacco Company

WINSTON-SALEM, N. C.

FINANCIAL STATEMENT

DECEMBER 31, 1945.

MRB
Corp File

Winston-Salem, N. C., January 17, 1946.

To the Stockholders of

R. J. REYNOLDS TOBACCO COMPANY:—

The Financial Report of your Company, at the close of business December 31, 1945, is hereby submitted.

Net profit from operations for the year 1945 (in which net sales were $430,966,566.42), after deducting all charges and expenses of management, advertising, etc.	$36,734,697.51	
ADD		
Income from investments	20,336.90	
Miscellaneous income, net	68,549.58	$36,823,583.99
LESS		
Allowance for Depreciation, Obsolescence, etc.	892,377.57	
Interest paid	1,396,498.11	
Federal and State taxes on income	15,305,398.46	17,594,274.14
NET EARNINGS FOR YEAR		19,229,309.85
ADD		
Credit for excess profits tax carry-back adjustment		467,545.12
AMOUNT TO UNDIVIDED PROFITS FOR YEAR		19,696,854.97
ADD		
Undivided Profits December 31, 1944		61,711,684.83
		81,408,539.80
LESS		
Charges related to authorization and issuance of Preferred Stock		1,229,955.11
		80,178,584.69
DEDUCT		
Dividends on Preferred Stock, 3.60% Series, including dividend of January 1, 1946	765,983.60	
Four quarterly interim dividends of 35¢ each and a year-end dividend of 20¢ per share on common stocks (including dividends on Common Stock held in Retirement & Insurance Investment Fund)	16,000,000.00	16,765,983.60
Total Undivided Profits December 31, 1945		$63,412,601.09

R. J. REYNOLDS TOBACCO COMPANY:

We have examined the financial statement of R. J. REYNOLDS TOBACCO COMPA
have reviewed the system of internal control and the accounting procedures of the Company
of the Company and other supporting evidence, by methods, at times and to the extent we deem
applicable in the circumstances and included all procedures which we considered necessary.

Inventories of leaf tobacco, supplies and manufactured product are valued at cost as in
followed in determining quantities and valuation. The investments are carried at not above c

In our opinion, the accompanying financial statement and related income and undivided
operations for the year, in conformity with generally accepted accounting principles applied o

January 16, 1946.

FINANCIAL STATEMENT
DECEMBER 31, 1945.

ASSETS

CURRENT			
Cash		$ 14,399,593.93	
Accounts Receivable (net) for merchandise sold		14,794,608.26	
Postwar and Carry-back Credits on Excess Profits Tax		2,293,699.85	
Leaf Tobacco, Supplies, Manufactured Product, less $3,228,925.88 contingent carrying charges		265,022,007.66	$296,509,909.70
OTHER ASSETS			
Real Estate, Buildings, Machinery, Fixtures		31,923,090.95	
Deduct Depreciation, Obsolescence, etc.	$ 16,953,636.32		
Less fully depreciated property written off during year, etc.	506,662.53	16,446,973.79	
		15,476,117.16	
Investments in Non-Competitive Companies		188,980.55	
Sundry Receivables and Deposits		952,672.50	
Brands, Trade-Marks, Good Will		1.00	
Prepaid Expenses		625,982.13	
Retirement & Insurance Investment Fund*	$ 10,120,000.00		
Less Reserve accrued to December 31, 1945	8,646,216.31	1,473,783.69	18,717,537.03
			$315,227,446.73

*Consisting of 200,000 shares of the Common Stock of the Company.

LIABILITIES

CURRENT		
Accounts Payable	$ 3,036,321.26	
Notes Payable	74,500,000.00	
Serial Notes payable 1946	2,000,000.00	
Accrued Taxes and other Accrued Accounts	16,778,524.38	
Reserve for Contingencies	500,000.00	$ 96,814,845.64
DEFERRED		
Serial Notes (1¾%) payable 1947-1949		6,000,000.00
CAPITAL ACCOUNT		
Preferred Stock—Par $100		
Authorized 750,000 shares		
Issued 490,000 shares—3.60% Series	49,000,000.00	
Common Stock—Par $10		
Authorized 1,000,000 shares		
Issued 1,000,000 shares	10,000,000.00	
New Class B Common Stock—Par $10		
Authorized 13,000,000 shares		
Issued 9,000,000 shares	90,000,000.00	
Undivided Profits	63,412,601.09	212,412,601.09
		$315,227,446.73

F. S. HILL, Treasurer.

as at December 31, 1945, and the income and undivided profits account for the year then ended, without making a detailed audit of the transactions, have examined or tested accounting records ppropriate. Our examination was made in accordance with generally accepted auditing standards

r years. We were present when inventories were taken by the Company and checked procedures r market, whichever is lower.

ts account present fairly the position of the Company at December 31, 1945, and the results of its asis consistent with that of the preceding year.

ERNST & ERNST,
Certified Public Accountants.